

Internal Revenue Service, Treasury

§ 1.666(c)-1A

in 1974, the beneficiary is required to include a total of \$139,000 in his income for 1974. The balance of \$11,000 is deemed to represent a distribution of corpus.

(ii) *Taxable years beginning after December 31, 1968, and before January 1, 1970.* Accumulation distributions made in taxable years of the trust beginning after December 31, 1968, and before January 1, 1970, are allocated to prior years according to § 1.666(a)-1.

(3) *Foreign trusts created by non-U.S. persons.* To the extent that a foreign trust is a foreign trust created by a person other than a U.S. person, an accumulation distribution is included in the beneficiary's income for the year paid, credited, or required to be distributed to the extent provided under paragraph (b) of this section.

(d) *Reduction of undistributed net income for prior accumulation distributions.* For the purposes of allocating to any preceding taxable year an accumulation distribution of the taxable year, the undistributed net income of such preceding taxable year is reduced by the amount from such year deemed distributed in any accumulation distribution of undistributed net income made in any taxable year intervening between such preceding taxable year and the taxable year. Accordingly, for example, if a trust has undistributed net income for 1974 and makes accumulation distributions during the taxable years 1978 and 1979, in determining that part of the 1979 accumulation distribution that is thrown back to 1974 the undistributed net income for 1974 is first reduced by the amount of the undistributed net income for 1974 deemed distributed in the 1978 accumulation distribution.

(e) *Rule when no undistributed net income.* If, before the application of the provisions of subpart D to an accumulation distribution for the taxable year, there is no undistributed net income for a preceding taxable year, then no portion of the accumulation distribution is undistributed net income deemed distributed on the last day of such preceding taxable year. Thus, if an accumulation distribution is made during the taxable year 1975 from a trust whose earliest preceding taxable year is taxable year 1970, and the trust had no undistributed net income for

1970, then no portion of the 1975 accumulation distribution is undistributed net income deemed distributed on the last day of 1970.

[T.D. 7204, 37 FR 17143, Aug. 25, 1972]

§ 1.666(b)-1A Total taxes deemed distributed.

(a) If an accumulation distribution is deemed under § 1.666(a)-1A to be distributed on the last day of a preceding taxable year and the amount is not less than the undistributed net income for such preceding taxable year, then an additional amount equal to the "taxes imposed on the trust attributable to the undistributed net income" (as defined in § 1.665(d)-1A(b)) for such preceding taxable year is also deemed distributed under section 661(a)(2). For example, a trust has undistributed net income of \$8,000 for the taxable year 1974. The taxes imposed on the trust attributable to the undistributed net income are \$3,032. During the taxable year 1977, an accumulation distribution of \$8,000 is made to the beneficiary, which is deemed under § 1.666(a)-1A to have been distributed on the last day of 1974. The 1977 accumulation distribution is not less than the 1974 undistributed net income. Accordingly, the taxes of \$3,032 imposed on the trust attributable to the undistributed net income for 1974 are also deemed to have been distributed on the last day of 1974. Thus, a total of \$11,032 will be deemed to have been distributed on the last day of 1974.

(b) For the purpose of paragraph (a) of this section, the undistributed net income of any preceding taxable year and the taxes imposed on the trust for such preceding taxable year attributable to such undistributed net income are computed after taking into account any accumulation distributions of taxable years intervening between such preceding taxable year and the taxable year. See paragraph (d) of § 1.666(a)-1A.

[T.D. 7204, 37 FR 17145, Aug. 25, 1972]

§ 1.666(c)-1A Pro rata portion of taxes deemed distributed.

(a) If an accumulation distribution is deemed under § 1.666(a)-1A to be distributed on the last day of a preceding taxable year and the amount is less than